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Remarks: Ben, Here is the Newsweek article that I mentioned which clearly states that <u>civil service</u> pensions are <u>tax free</u> . This article will authenticate a serious misconception at a time when the public and Congress are looking into the questions of public pension costs. Could we urge the Director of the Civil Service Commission to write Newsweek correcting the latter's misinformation?					
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PENSIONS Poor No More

Time was, not long ago, when pensioners from the Federal government were among the most threadbare of the nation's senior citizens. But in 1969 their pensions were tied to the cost of living, and these days a senior civil servant can retire at 55 with a tax-free income of as much as \$20,000 a year. And the benefits are rising so fast that a number of critics, including President Ford, have warned that it is time to call a halt.

In fiscal 1975, retired civil-service employees received \$7.2 billion in benefits, up from just \$1.4 billion ten years ago. And by 1980, the payments are expected to soar 106 per cent to \$14.8 billion, while contributions to the fund will rise by only 66 per cent. If the trend continues, it seems inevitable that the government's retirement fund eventually will go broke, portending higher taxes, more deficit spending—or both.

Under the cost-of-living escalator clause written into Federal civilian and military pension programs six years ago, pensions rise each time the consumer price index rises 3 per cent and holds at the new level for three months. However, the benefit increase is not 3 per cent, but 4 per cent. The difference, the 1 per cent "kicker," was designed to make up for purchasing power lost during the qualifying period. But the cumulative effect has been substantial. Since the esca-

lator was adopted, the consumer price index has risen by 33 per cent, but ten adjustments in Federal pensions have raised the average payout more than 60 per cent. This means that a civil servant who retired in 1969 with top benefits—56 per cent of pay—is making nearly as much retired as he was when he was working, and paying no taxes on the total.

Military pensions have grown at a similar pace. The government is expected to pay out \$8.4 billion in benefits to retired service personnel in fiscal 1977, up from \$6.3 billion in 1975. The Pentagon now figures that the average ex-soldier will receive twice as much pay in retirement as he got in all the years he was on active duty.

Cost: Democratic Sen. Thomas Eagleton of Missouri, a member of the subcommittee examining the problem, calculates that if the current formula is maintained, the costs of all Federal pension programs will quadruple in 25 years. "Unless the gross national product can be counted on to grow commensurately, very serious problems will develop," he says. "Federal taxes may have to be increased. That could put a heavy drain on the private economy. Alternately, the government might decide to fund these programs by merely printing money. And that cost in terms of inflation would be great."

Whatever the future, the present makes the Federal pensioner the envy of his counterparts from private industry. What's more, many experts who take

early retirement at 55 can find lucrative jobs for themselves in industry. One retired Commerce Department analyst, for instance, is now drawing an \$18,000 government pension while earning \$25,000 annually from a private firm. "I've got more money now than I ever had in my life," he says happily. "I figure on working at least until I'm 62. Then I'll have social security as well as a small pension from my company."

Not all pensioners are comfortable about their good fortune. "The Federal pension is going up so fast it is becoming

scandalous," says former Republican Rep. Hastings Keith of Massachusetts. Keith, 60, is now drawing more than \$33,000 a year in pensions; he served 23 years in the Army Reserve as well as fourteen years in the House of Representatives. He is a partner in an insurance agency, and he has been running something of a one-man lobby to reduce the largesse. He has a powerful ally in President Ford, who has asked Congress to eliminate the 1 per cent kicker from the pension escalator. There is little chance that the lawmakers will even consider such a measure in an election year and thereby alienate 4.3 million Federal employees and retirees, but the early warning of the benefits spiral should at least give Congress time to ponder the issue before a full-blown pension crisis develops.

NEWSWEEK - 22 March 1976

Business Section, page 68, 69